

Several weeks ago, I wrote an article in response to trucking and logistics companies that have contacted me:

- Some of the owners of these companies were “stressed out”.
- They didn’t see any “light at the end of the tunnel”, and;
- They were looking to “dump” their business, for whatever they could get, and change the quality of their life.

I have stated that the majority of buyers that purchase distressed companies are looking for:

1. Capacity.
2. Drivers, and;
3. Sometimes, customers.

Selling a distressed company is not an easy process:

- In most instances, when a company is not making money, management is going to receive a pay out, over time, based upon certain pre-requisites;
- That pay out, in many instances, is going to be minimal.

If there is a substantial amount of equity in equipment, the equity will flow to the owner at the time of sale, any Goodwill will be on an “earn out”;

In most instances, if a company has no value (whatsoever); some distressed buyers are willing to pay a salary and a commission to the business owner, based upon certain things happening in the future.

However, it’s important to understand that;

- If your balance sheet is completely “upside” down.
- If you have no value in your equipment;
- **Don’t expect a buyer to pay any value, at closing; it’s not going to happen.**

If you have one or two customers that generate a substantial income or a dedicated contract that pays all miles, you may be able to receive some value for that business “up front”. However, generally, you’re going to receive a payout, based upon certain expectations. **For many of you, this is going to be a very pleasant process, because;**

- In many instances, you’ve owned your business for many years.

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in this issue

Selling A Distressed
Company Part 2



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- You've spent a substantial amount of time and energy building the business, and;
- The end result is, it doesn't appear you're going to receive value for your efforts.

However, you have to be able to look at your business as it actually is, not what you perceive it to be;

- If a company, historically, has lost money;
- **The company, historically, has no retained earnings.**
- If a company does not have value in its equipment, then the company value is negligible – at best!.

How do you create value? Possibly with;

1. Drivers, and;
2. Customers.

If there is value in these areas, then you may receive some form of compensation, over a period of time. However, you're not going to receive it at closing.

I discussed, in my last article, that distressed sellers have to know how to look for distressed buyers;

- There are numerous distressed buyers, in the marketplace, but;
- **You need to know how to qualify them.**
- **You have to look at their previous "success" record, and;**
- You have to make sure that any agreements you enter in to, with a distressed buyer, he/she will live up to their agreement.

Selling a business, when it's not making money, is not Utopia;

- You can't turn the keys over to someone else and walk away, immediately – **if you expect to receive any value, and;**
- **If you have no value in your balance sheet or your equipment, don't expect a buyer to take care of your problem because it's not going to happen.**

When you're selling a distressed business, it's important to understand that;

- The problems created were created by you;
- You have to look at the reality of the situation.
- You have to make a conscious decision, whether you're willing to walk away from the business, and;
- **If you're willing to walk away from the business, then you have to recognize that any value received will be paid out based upon certain specific goals and objectives being accomplished..**

However, here is what selling a distressed company may do for you, if you have a qualified buyer;

- If you're upside down on equipment, a buyer may be willing to continue to cover the operational expenses, until the equipment debt can be satisfied, and;
- At some point in the future, you can have extract equity in that equipment and that is your payout.

Again, if you're dealing with someone that's honorable and has integrity;

- You will receive a salary.
- You will receive some form of compensation, based upon achieving specific goals and objectives, and;

- All the “back office” will be re consolidated.

In other words, you’re allowed to focus on operations. For some people, this is a fair deal. **For many, they don’t like this alternative.**

Unfortunately, when selling a distressed business, there are very few alternatives you have. One alternative is;

- Hire competent specialists that know how to turn companies around.
- Make the commitment that you are willing to make any and all difficult decisions to restore the company to profitability, and;
- Recognize that this is going to be a long process.

Companies do not get in trouble overnight and they don’t solve their problems overnight. I’ve always said that; if you have any fight left in you; don’t give your company away. On the other hand;

- If you don’t have any fight left in you.
- If you just don’t have the stamina to “give it a go” for another several years, then;
- Sell for what you can get and let someone else deal with the issues.

However, in all instances, you need to be prepared!

- You need to look at the positives of your business.
- The negatives of the business, and;
- Then, make your decision based upon the challenges and the potential benefits.

It’s important to recognize there is always some value of a business that’s been in business for a substantial amount of time. You may not believe there’s value, but there are ways to create value.

In closing, before you’re ready to give up, you need to do a substantial amount of “soul searching”. You need to recognize that;

- Sometimes, it’s better to cut your losses and go onto something else.
- **In other cases, it’s better to fight and not give up, because success is normally just around the corner from failure.**

Too many times, people give up just because they’re tired. Too many times, people give up because they’re angry. Too many times, people give up because they believe there is no hope. **There are always a solutions to problems,** but the question is; are you prepared to make the difficult choices necessary to succeed?

An author once said; “there is nothing more intoxicating then doing big, bold things”. Anxiety can be described as unresolved fear.

Quote of the Week:

“In some instances a refusal to be defeated is a refusal to be educated” (Author: Margaret Halsey)